Molson Industries Limited Annual Report 1973

Molson Industries Limited and Subsidiary Companies

Incorporated under the laws of Canada

Head Office
1555 Notre Dame Street East
Montreal 133, Quebec

Executive Office
2 International Boulevard
Toronto, Ontario M9W 1A2

Registrar
National Trust Company Limited
Halifax, Montreal, Toronto,
Winnipeg, Regina, Calgary and
Vancouver

Transfer Agent
The Royal Trust Company
Halifax, Montreal, Toronto,
Winnipeg, Regina, Calgary and
Vancouver

Auditors
Coopers & Lybrand
(name changed April 1973 from
McDonald, Currie & Co.)

Pour obtenir la version française de ce rapport annuel il suffit d'écrire aux Industries Molson Limitée, Case Postale 1600, Place d'Armes, Montréal, Québec.

Molson Industries Limited

and Subsidiary Companies

1. The Vancouver brewery's 1,200 bottle-per-minute filler on its new high-speed bottling line.
2. Beaver Home Centres have many specialty departments for women shoppers.
3. Anthes' business forms help increase profits through more efficient paperwork.
4. Sophisticated electronic remote billing equipment used by some "self-serve" gasoline stations.

Brewing Group

Total Sales $260.5 million

Molson Breweries of Canada Limited, Montreal, Quebec

Newfoundland Brewery Limited, St. John's, Newfoundland

India Beer, Molson Canadian Lager Beer, Molson Export Ale, I.P.A. Malt Liquor

Molson's Brewery Quebec Limited, Montreal, Quebec

Molson Export Ale, Laurentide Ale, Brador Malt Liquor, Molson Canadian Lager Beer, Molson Golden Ale, Molson Cream Porter

Molson's Brewery (Ontario) Limited, Toronto, Ontario

Molson Export Ale, Molson Canadian Lager Beer, Molson Golden Ale, Molson Stock Ale, Molson Festival Lager Beer, Molson Cream Porter

Molson Brewery Manitoba Ltd., Winnipeg, Manitoba

Molson Canadian Lager Beer, Frontier Beer, Molson Export Ale, Frontier Stout

Molson Brewery Saskatchewan Ltd., Regina and Prince Albert, Sask.

Bohemian Lager Beer, Pilsner Beer, Molson Canadian Lager Beer, Molson Golden Lager Beer, Molson Export Ale, Royal Stout, Imperial Stout

Sicks' Lethbridge Brewery Limited, Lethbridge, Alberta

Pilsner Beer, Lethbridge Beer, Lethbridge Royal Stout

Molson Brewery Alberta Ltd., Edmonton, Alberta

Molson Canadian Lager Beer, Edmonton Export Beer, Molson Golden Lager Beer, Molson Export Ale, Lethbridge Malt Liquor

Molson Brewery B.C. Ltd., Vancouver, B.C.

Old Style Beer, Molson Canadian Lager Beer, Molson Export Ale, Frontier Malt Liquor

Retail Merchandising Group

Total Sales $131.2 million

Beaver Lumber Company Limited, Winnipeg, Manitoba

Retail Store Departments: Lumber and building materials; home decorations; floor coverings; hardware; plumbing and electrical supplies and fixtures; paints and wallpaper; power and hand tools; housewares; appliances; lawn and garden supplies

Total Retail Stores in Operation: 261

Beaver Western Division, Winnipeg, Manitoba

150 Retail Outlets from Northwestern Ontario to British Columbia and the Yukon

Beaver Ontario Division, Toronto, Ontario

80 Beaver Retail Outlets in Ontario
15 Aikenhead Retail Outlets in Metropolitan Toronto

Beaver Eastern Division, Montreal, Quebec

2 Retail Outlets in Eastern Ontario
1 Retail Outlet under construction in Quebec

Saveway Building Supplies Division, Toronto, Ontario

14 Retail Outlets in Quebec, Ontario, and Manitoba

Planned Buildings Division, Winnipeg, Manitoba

Products: Prefabricated homes, cottages, agricultural buildings and roof trusses

Plants: Milton, Ont.; Yorkton, Sask.; Edmonton, Alta.; Vancouver, B.C.

Aikenhead Hardware Division, Toronto, Ontario

Products and Services: Serves industrial and contractor accounts with industrial supplies and hardware, and operates a wholesale hardware business

Commercial Products and Services Group

Total Sales $67.4 million

Anthes Business Forms Limited, Brampton, Ontario

Products: Filing systems and supplies, rotary forms, business system paper

Plants: Mimico and Brampton, Ont.

Branches: Winnipeg, Toronto, Ottawa, Montreal

Willson Business Services Limited, Winnipeg, Manitoba

Products: Major distributor and retailer of office supplies, furniture and accessories
25 Retail Stores, 12 Distribution Centres, Montreal to Victoria

Office Specialty Limited, Toronto, Ontario

Products: Office furniture and accessories, office planning services, filing equipment and supplies

Plants: Holland Landing, Ontario; Farnham, Quebec

Branches: Halifax, Saint John, Moncton, Quebec City, Montreal, Ottawa, Toronto, Hamilton, London, Winnipeg, Regina, Saskatoon, Calgary, Edmonton, Vancouver

Moyer Vico Limited, Toronto, Ontario

Products: School furniture, educational supplies and equipment, library furniture, shelving, supplies and equipment

Plants: Toronto and Holland Landing, Ont.; Farnham and Waterloo, Que.

Branches: Moncton, Montreal, Toronto, Winnipeg, Saskatoon, Edmonton and Vancouver

Vilas Industries Limited, Cowansville, Quebec

Products: Colonial-style maple household furniture and contemporary upholstered furniture

Plants: Cowansville, Montreal and Thurso, Quebec

Deluxe Upholstering Limited, Waterloo, Ontario

Products: La-Z-Boy reclining chairs

Plants: Waterloo and Elmira, Ontario

Seaway/Midwest Distribution Centres, Lachine, Quebec

Services: A comprehensive warehouse and distribution service for industry and government, incorporating computerized inventory control systems, break-bulk and consolidation services, pharmaceutical warehousing and distribution

Warehouse Facilities: St. John's, Nfld., Moncton, Montreal, Toronto, Winnipeg, Calgary, Vancouver

Industrial Products Group

Total Sales $63.1 million

John Wood Company Limited, Toronto, Ontario

Products: Water heaters and tanks, Bennett gasoline pumps, oil burners, steel boilers, Penberthy engineered specialty products

Plants: Toronto and St. Catharines, Ont.

Anthes Equipment Limited, Mississauga, Ontario

Products: Tubular steel scaffolding, vertical and horizontal shoring, swing stages and other construction products

Rental and Sales Branches: Halifax, Quebec City, Montreal, Ottawa, Toronto, Hamilton, London, Winnipeg, Calgary, Edmonton, Vancouver

Anthes Western Limited, Anthes Eastern Limited, Winnipeg, Manitoba

Products: Cast iron soil pipe and fittings, grey iron and ductile iron water pipe, cast iron water pipe fittings, grey and ductile iron custom castings

Foundries: Winnipeg, Man., Edmonton and Calgary, Alta., and St. Jean, Que.

Bennett Pump Incorporated, Muskegon, Michigan

Products: Standard and self-serve gasoline pumps and other service station equipment

Plants: Muskegon and Hart, Mich.

Beck & Co. (Meters) Limited, London, England

Products: Standard and self-serve gasoline pumps and other service station equipment

Plant: Streatham Vale, London, England

Tuscan Engineering Company Limited, Bridgend, South Wales, U.K.

Products: Electric motors for gasoline pumps and specialty applications

Plant: Bridgend, South Wales, U.K.

Bennett Italiana S.p.A., Milan, Italy

Products: Standard and self-serve gasoline pumps and accessories, and gasoline/oil mixing pumps

Plant: Milan, Italy

Financial Highlights

Operations (millions of dollars)	1973	1972
Sales	$522.2	$376.0
Net Earnings	22.0	16.7
Financial position (millions of dollars)		
Working capital	72.3	72.2
Long-term debt	51.2	51.0
Shareholders' equity	138.9	125.8
Per common share		
Net Earnings	1.62	1.40
Dividends	.80	.72
Shareholders' equity	10.18	9.29

Contents

The annual meeting of the shareholders will be held at the Head Office of the company, 1555 Notre Dame St. E., Montreal, Quebec, on June 28, 1973 at 11 :30 a.m. EDT.

Directors

*T. H. P. Molson, Montreal
Honorary Chairman of the Board

*Hon. H. deM. Molson, Montreal
Chairman of the Board

*H. N. Bawden, Toronto
Director, Dominion Securities Corporation Limited

*J. T. Black, Toronto
Executive Vice President

W. P. Frankenhoff, New York
Chairman, William E. Hill & Company, Inc.

Donald S. Harvie, Calgary
Senior Vice President, Petrofina Canada Ltd.

T. E. Ladner, Q.C., Vancouver
Partner, Ladner, Downs Barristers and Solicitors

Roger Létourneau, Q.C., Quebec
Partner, Létourneau, Stein, Marseille, Delisle and LaRue, Barristers and Solicitors

*Morgan McCammon, Q.C., Toronto
Senior Vice President, Corporate Services

*A. G. McCaughey, Toronto
Senior Vice President, Finance

H. C. F. Mockridge, Q.C., Toronto
Partner, Osler, Hoskin & Harcourt Barristers and Solicitors

*Gérard Plourde, Montreal
Chairman of the Board, UAP Inc.

J. D. Riley, Winnipeg
President and General Manager, Dominion Bronze Limited

F. H. Sobey, Stellarton
Chairman of the Board, Sobeys Stores Limited

N. E. Whitmore, Regina
President, Wascana Investments Limited

*D. G. Willmot, Toronto
President

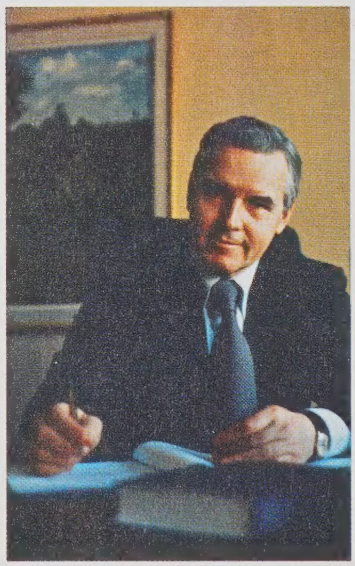
*Member of the Executive Committee

Senior Officers

H. deM. Molson,
Chairman of the Board

D. G. Willmot,
President

A. G. McCaughey,
Senior Vice President, Finance



Morgan McCammon, Q
Senior Vice President, Corporate Services

David Lakie,
Senior Vice President, Retail Merchandising Group

J. P. G. Kemp,
Senior Vice President, Commercial Products and Services Group

Other Officers

J. T. Black,
Executive
Vice President

W. A. Critchley, Vice President and Controller

K. A. F. Gates, Vice President, General Counsel

D. A. Heeney, Vice President, Corporate Communications

J. B. Jolley, Q.C., Vice President and Secretary

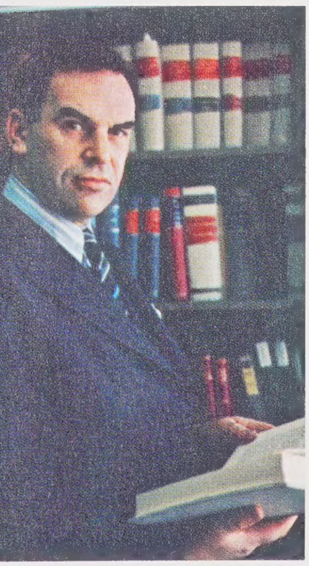
Z. Lespérance, Vice President

E. H. Molson, Vice President, Corporate Development

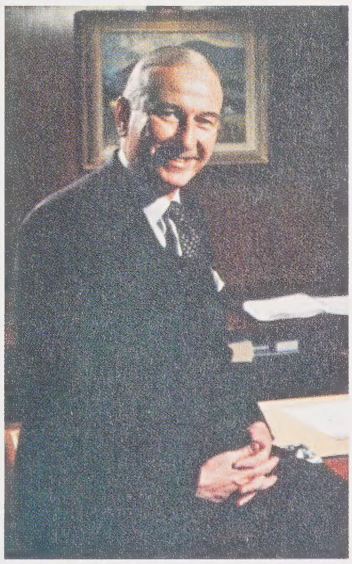
H. E. C. Stoneham, Vice President, Human Resources

D. B. Macaskill, Treasurer

G. Marin, Solicitor and Assistant Secretary



P. B. Stewart,
Senior Vice President,
Brewing Group



G. B. Waterman,
Senior Vice President,
Industrial Products
Group

Directors' Report to the Shareholders

In its fiscal year ended March 31, 1973, the company achieved record consolidated sales and earnings, increased its share of the Canadian beer market, made good progress in securing its entry into home hardgoods retail merchandising and furthered the development of its other businesses.

Financial Results

Consolidated sales were $522,238,406, compared with $376,039,937 reported in the previous fiscal year. Contributing to this increase was growth in nearly all of our businesses and the inclusion of retail merchandising operations for a full year.

Net earnings for the year were $22,021,771, compared with $16,724,797 in 1972. Earnings per share amounted to $1.62, compared with $1.40 last year based on the average number of shares outstanding during the year.

Dividends totalling 80 cents per share amounting to $10,878,008 were declared during the year, an increase over the 72 cents per share declared in the prior fiscal year.

Working capital at year-end was $72,338,068, about the same level as a year earlier. Both current assets and current liabilities increased, reflecting growth in receivables and inventories associated with the higher level of sales achieved.

Hon. H. deM. Molson,
Chairman of the Board, left, and
D. G. Willmot, President.

Shareholders' equity increased by $13,094,105 to $138,904,883 or $10.18 per share, compared with $9.29 per share a year ago.

Operations
The following paragraphs deal with operating highlights only, since detailed commentary on the operations of each Group follows, starting on page 9 of this report.

Brewing Group
Revenue from the sale of beer and ale increased to a total of $260,505,428 which represents 50 per cent of the consolidated sales revenues of the company.

While poor summer weather held down the industry volume increase, the full year rate of growth at 4.8 per cent, reflected a further increase in per capita consumption. Molson's 6.6 per cent volume gain, again exceeded that of the brewing industry in Canada, representing continued growth in our share of market.

Although profit contribution increased satisfactorily, profit margins were adversely affected by higher material costs and increases in wage and salary rates.

The aggregate capacity of our nine breweries was expanded to over 5,400,000 barrels and further substantial increases are planned in the year ahead.

Retail Merchandising Group
Sales from operations of the Retail Merchandising Group were $131,248,790 representing an increase over both the amount included in consolidated sales last year for a partial year and over the sales level of the acquired businesses for the whole of their previous fiscal years. Sales from this Group represented 25 per cent of consolidated sales.

Marked progress was made during the year in achievement of our plans to expand in the home hardgoods retail market in Canada. In addition to refurbishing many existing urban stores, two large new Beaver Home Centres were opened and sites were acquired for stores planned to be opened in fiscal 1974. Consumer acceptance of the expanded lines of merchandise we are offering and our new Beaver Home Centre concept, has been gratifying.

We believe this to be a sound market segment with good growth prospects and we plan to increase our investment in this activity significantly.

Commercial Products and Services Group
During the year operations providing industry with warehousing and distribution services were merged into a single division – now the largest operation of its kind in Canada. Demand for these services continues to increase and both revenues and earnings rose substantially in the year.

Sales of divisions serving the office environment increased considerably and there was some improvement in profit contribution. Purchases of educational furniture and supplies by school boards were lower than in recent years which adversely affected both sales and earnings of these products.

Demand for household furniture rose sharply and our divisions supplying this market enjoyed both record orders and shipments. Contribution to profit was correspondingly higher, and additional plant capacity was acquired to satisfy the growing demand.

Industrial Products Group
Demand for gasoline pumps remained at reduced levels throughout the year and profits from this segment of our business were at a low level. Oil companies have reduced their normal expenditures on capital equipment used in their marketing activities as new methods of distribution are being examined. In these circumstances, our pump companies, while holding their position in these markets, have had to cut back their production activity. In the meantime, they are concentrating on development of new forms of

gasoline dispensing equipment, including electronic systems and self-serve pumps, to prepare for new trends in the market place and to encourage the resumption of demand.

As the level of construction activity improved, sales of products and services to the construction industry in Canada showed some increase over the previous year with water heater sales in particular having risen sharply. All divisions serving the residential and commercial construction markets increased their level of profit contribution.

Corporate Business Development

The nature and structure of the company's operations and business mix has been changed markedly over the past few years. In response to the growth in importance in Canada of the consumer market and the service industries, we have increased the allocation of resources employed in these directions. With some 80 per cent of consolidated revenue now coming from consumer products or from services to consumers and to industry, we believe the company is well positioned to continue sound and satisfactory growth.

While brewing continues to be the largest sector of our business, only 50 per cent of total sales now depend on brewing operations. Growth in our other activities may further reduce this proportion but brewing will continue to receive high priority in the allocation of our resources in order to ensure the utmost in product quality and efficient plant facilities.

We have already commented on our involvement in and the growth potential of the merchandising of home related hardgoods. We plan to continue our aggressive store opening and expansion program and to secure a sound strategic position in all major market areas in Canada. We are confident that the early sizeable increases in sales from this business will be followed by significant increases in earnings when the new stores have become established in their local markets. A further extension of our retail service activities is represented by Willson Business Services' retail stores which market products for the office environment.

Our other businesses are following plans which will increase both sales and profit in the future. These businesses include service related operations such as warehousing and distribution and the rental of construction equipment. The company continues to be actively involved in secondary manufacturing activities in which we have acquired considerable skills and background over the years. Although these interests have reduced in relation to consolidated sales, several among them are participating in market segments which have interesting growth potential.

Capital Expenditures

Looking ahead to the company's planned future growth, capital expenditures for new and expanded facilities rose to a record $22,580,826 in the year. Close to half this total was expended on brewing facilities, principally for increased capacity.

Due to continuing need for additional capacity in brewing, for expansion of home hardgoods retail outlets, and to expand our other businesses, capital expenditures in fiscal 1974 are expected to reach $32,000,000.

Directors

Two vacancies on the Board of Directors were created as the result of Peter D. Curry, Winnipeg, and J. David Molson, Montreal, not standing for reelection at the last annual meeting of shareholders. To fill these vacancies we are pleased to acknowledge the election to the Board of Thomas E. Ladner, D.S.C., B.A., Q.C. of Vancouver and J. Derek Riley, C.A. of Winnipeg. Mr. Ladner is a partner in the law firm of Ladner, Downs and Mr. Riley is President and General

Manager of Dominion Bronze Limited.

Officers

During the year J. T. Black, Executive Vice President, Operations, assumed expanded responsibilities and became Executive Vice President reflecting this change.

E. H. Molson was appointed Vice President, Corporate Development and D. B. Macaskill became Treasurer. Mr. Molson was previously Vice President, Operations, Molson's Brewery Quebec Limited and Mr. Macaskill most recently was Group Controller, Retail Merchandising Group.

Zotique Lespérance, long associated with the company in senior executive and marketing positions in Quebec and as a special advisor to the Chairman, was appointed a Vice President of the company following the end of the fiscal year.

Two new positions created early in the year in the fields of human resources management and communication were filled by the appointment of two executives from outside the company. H. E. C. Stoneham was appointed Vice President, Human Resources and D. A. Heeney became Vice President, Corporate Communications.

Financing

In February of this year the company arranged for the private placement of an issue of 8¼ per cent sinking fund debentures at par in the principal amount of $30,000,000 dated April 16, 1973 and maturing in 1995. This issue has not been reflected in the financial statements because the proceeds were received subsequent to the fiscal year-end. Substantially all bank indebtedness was repaid out of the proceeds of the issue and the balance was added to working capital.

The capital needed to finance the planned growth of the company in the next few years will exceed the net cash flow from operations. It was, therefore, decided to raise these additional funds at this time in the light of the outlook for long term money costs.

Outlook

Pronounced changes and uncertainties on the world economic scene today are reflected in the uneasy state of international currency markets and investor confidence. The several crises which have plagued international money exchange mechanisms are disturbing since they could well upset normal patterns of international trade with resultant adverse effects on domestic markets both here and in other countries. Inflation too continues to grow, notwithstanding efforts by governments to contain the rate of increase. We believe that solutions to these problems can and will be found and that the growth of national economies and standards of living throughout the world will continue.

We expect that the company, positioned as it is in its various businesses, will continue expanding in both sales and earnings.

On behalf of the Board:

H. deM. Molson,
Chairman of the Board

D. G. Willmot,
President

May 24, 1973

Brewing Group

Molson Breweries of Canada Limited
Head Office: 1555 Notre Dame Street E., Montreal, Quebec.

P. B. Stewart, President
H. H. Brace, Vice President, Marketing
C. R. Cook, Vice President, Finance and Controller
R. J. D. Martin, Vice President, Production
N. M. Seagram, Vice President, Planning

G. M. Winter, President
Newfoundland Brewery Limited
St. John's, Newfoundland

J. P. Rogers, President
Molson's Brewery Quebec Limited
Montreal, Quebec

A. B. Ferguson, President
Molson's Brewery (Ontario) Limited
Toronto, Ontario

A. L. Keyworth, President
Molson's Western Breweries Limited
Calgary, Alberta

T. H. English, President, B.C. Region

Molson Brewery B.C. Ltd.
Vancouver, British Columbia

T. M. Sterling, Vice President and General Manager, Alberta Region

Sicks' Lethbridge Brewery Limited, Lethbridge, Alberta

Molson Brewery Alberta Ltd., Edmonton, Alberta

O. F. Bales, Vice President and General Manager, Saskatchewan Region

Molson Brewery Saskatchewan Ltd., Regina and Prince Albert, Saskatchewan

R. F. J. Deeb, Vice President and General Manager, Manitoba Region

Molson Brewery Manitoba Ltd., Winnipeg, Manitoba

Operations

The volume of beer sold by the brewing industry in Canada in the year ended March 31, 1973 was 4.8 per cent above the previous year. This increase was below that experienced last year, mainly because of poor summer weather across the country. However, even at this growth rate, consumption continued to increase well ahead of adult population growth in Canada.

Molson's volume in Canada during the same period improved 6.6 per cent to a record level of over 4.7 million barrels; thus Molson maintained its trend of bettering the industry's rate of increase and improving its share of the Canadian beer market.

Molson's sales revenue from beer for the year was \$260.5 million, compared with the previous year's figure of \$232.1 million.

These volume and sales dollar increases again resulted in an improved earnings contribution by the Brewing Group.

The continuing increased demand for Molson brands required further expansion of our brewing facilities. During the year fermenting and ageing facilities were added at St. John's, Montreal, Toronto, Winnipeg and Lethbridge, while new packaging lines were installed in the Montreal and Winnipeg breweries.

In the coming year production capacity will again have to be increased to meet demand in virtually all our brewing operations across Canada. Facility changes and equipment will be selected and designed to effect improvements in productivity, with primary regard for product quality and for the environment.

Environmental protection programs are in force in all our breweries and Molson, along with other members of the brewing industry in Canada, has an enviable record of use of returnable and re-cyclable packaging, a record that few other industries can equal.

Problems of inflation, particularly in the areas of wages and benefits, were of significant consequence to our brewing operations during the past year. Wage and benefit costs advanced at rates which could not be fully offset by productivity improvements. Cost increases also were experienced in virtually all materials and supplies.

Marketing

Notwithstanding increasing costs, Molson is dedicated to the production of beers and ales of the highest standard of quality and excellence. We believe that consumers associate the Molson name with this dedication to product integrity and good taste in marketing activities, and that these factors have a significant influence on the company's volume and share of market growth.

The successful development of a multi-brand line of products, nationally and regionally, is also seen to be a leading contributor to Molson's momentum in the marketplace. At the same time, the company has developed effective marketing programs, which include researching consumer wants and preferences, the effective use of television, sales promotion projects related to popular sporting and recreational activities, and community involvement projects.

These efforts have contributed to the growing consumer acceptance of Molson brands across Canada, and have gained for us, as a result, a record share of national beer sales in the past year. This was attained despite new and intensified competition from numerous brand introductions by competitors in various provincial markets.

Molson national brands, "Export Ale" and "Canadian" continue to gain market share, while popular regional brands, such as "Old Style", "Pilsner", "Golden", "Laurentide" and "Brador" contributed importantly to volume, market share and earnings improvements.

During the past year, Molson exports to the United States rose by

Molson's highly qualified personnel ensure every brew is of the finest quality. ▼

1


MOLSON
CANADIAN
Festival
Bohemian
Lager beer
MOLSON
STOCK ALE
OLD STYLE
Pilsner
BEER
SLOW BREWED AND NATURALLY AGED
MOLSON
Frontier
STOUT
Frontier
BEER
Lethbridge Royal Stout

more than 20 per cent over the previous year, while total exports of all beers from Canada to the U.S. rose by less than two per cent.

Until October, 1971, all Molson exports to the United States were handled by two independent importers. At that time Molson formed Martlet Importing Co. Inc., a wholly-owned subsidiary, with offices in New York, to act as importer and marketer of Molson brands in the United States. Martlet's just completed first full year of operation has been very encouraging.

Molson also participates in the United States beer market through its affiliation with The Rainier Companies Inc., Seattle, Washington. Rainier's brewing subsidiary maintained a strong position in the Pacific Northwest market, while the Robert Mondavi Winery in California's Napa Valley, in which Rainier has a substantial interest, continued to enhance its reputation as a quality producer of fine table wines.

The outlook for the year ahead is for beer consumption in Canada to increase by close to five per cent, a figure which could be exceeded if the upcoming summer proves to be long and warm.

We are confident that our quality products, marketplace momentum and people skills will enable us to continue to better the industry's growth rate and to once again increase our share of the national market.

1. Molson takes pride in its brewing facilities and, where regulations permit, visitors are always made welcome.

2. Molson's attractive Vancouver brewery, the company's largest capacity plant in the West, serves the rapidly growing B.C. beer market.

3. Since it was opened in 1955, Molson's Toronto brewery has undergone almost continuous expansion to keep pace with the company's rising market share in Ontario — the major beer market in Canada.

4. Molson's brewery in Montreal is the company's largest brewing facility and is located on the site of its original brewery built in 1786.

Retail Merchandising Group

Beaver Lumber Company Limited
Head Office: 120 Fort Street,
Winnipeg, Manitoba.

Executive Office: 1155 Leslie Street,
Toronto, Ontario.

David Lakie, President

K. A. Mitchell, Senior Vice President

R. J. Guiney, Vice President, Merchandising

J. F. Wurster, Vice President, Administration

R. G. Lothian, Director of Personnel

A. G. Gemmell, Vice President and General Manager
Beaver Western Division
Winnipeg, Manitoba

D. K. Wilson, General Manager
Beaver Ontario Division
Toronto, Ontario

P. Monchamp, General Manager
Beaver Eastern Division
Montreal, Quebec

K. A. Mitchell, President
Saveway Building Supplies Division
Toronto, Ontario

R. G. Lothian, General Manager
Planned Buildings Division
Winnipeg, Manitoba

J. M. Aikenhead, President
Aikenhead Hardware Division
Toronto, Ontario

Film extracts from Beaver's widely viewed television commercials, bringing to millions of Canadians in their homes a close-up look at Beaver's dramatic new approach to home hardgoods retail merchandising. ▶

The year just ended was the first full year of operation of our Retail Merchandising Group. During the 12 months under review, the Group, which was established with the acquisition of Aikenhead Hardware Limited and Warden Lumber Distributors Limited, followed in December of 1971 by the purchase of Beaver Lumber Company Limited, has made substantial progress.

Sales for the year by the Retail Merchandising Group were the highest in their history, amounting to $131.2 million. Last year the sales of the companies acquired to form this Group were included only from their respective dates of acquisition and amounted to $33.2 million. Total retail outlets in operation at fiscal year-end were 261, extending from Quebec to British Columbia and the Yukon.

Beaver Divisions

Since entering the home hardgoods retail merchandising field 15 months ago, we have moved aggressively on a continuing program to expand and remerchandise many of the retail outlets and, in particular, to develop Beaver's retail merchandising capability in urban markets with the introduction of "Beaver Home Centres". The "Home Centre" concept is based on providing a total service to the "do-it-yourself" home improvement market, and will assist Beaver to improve its dominant position in the home hardgoods retail market in Canada.

Opening night on March 28, 1973, of Beaver's new 54,000 square foot "Home Centre" in Bramalea, Ontario. A comparable size Home Centre was opened the same day in Calgary South, Alberta, as part of Beaver's rapid expansion in the $2 billion "do-it-yourself" home improvement retail market in Canada. ▶

One of our continuing objectives is to move as rapidly as possible into the larger urban and suburban markets, while maintaining Beaver's dominant position in rural locations.

During the year gratifying progress was made towards this objective. In March, 1973, the first large Beaver Home Centres of over 50,000 square feet each, were successfully opened in the fast growing suburban markets of Calgary South, Alberta, and Bramalea, Ontario. Other Home Centres of comparable size are scheduled in the coming year in other major urban markets, including Montreal.

The initial sales performance of the Beaver Home Centres in Calgary and Bramalea indicates strong consumer acceptance of this retailing concept. We are confident that the results from the operation of large Home Centres will soon have a very favourable impact on consolidated earnings.

In addition, three medium-sized Beaver Home Centres were opened in Edmonton, Alberta ; Toronto and Thunder Bay, Ontario, while a number of stores in smaller markets of diminishing potential ceased operations. At the same time, 26 Beaver Stores were expanded or completely remerchandised during the past 12 months. These include stores in Toronto, Winnipeg, Edmonton, Vancouver, Kitchener, and London and the effect on sales has been excellent. An equally ambitious program is under way in the coming year.

Looking ahead, we will, by the end of the current fiscal year have more than doubled the retail square footage which made up the Beaver and Aikenhead chains at the time of purchase in 1971.

To support this rapid growth, a vigorous and ongoing recruitment and training program has been instituted to ensure all stores are staffed with people having a high level of management know-how, product knowledge and merchandising expertise. A complete examination of management controls has been carried out and new systems, covering store sales and profit reporting, inventory control and centralized purchasing, have been introduced. At the same time, the staff recruiting program has brought a number of highly qualified people into the Beaver organization who are already making important contributions to Beaver's growth.

Construction will begin shortly on a large new distribution centre in northwest Metropolitan Toronto to service Beaver's expanding chain of stores. This facility will be built by Seaway/Midwest Distribution Centres Division and represents an excellent example of the kind of synergy we seek to develop wherever practical in the organization. Other Beaver distribution centres are in the planning stages.

Saveway Building Supplies Division

During the year a Saveway Cash & Carry store was opened in Winnipeg, Manitoba, and three others were expanded in Ontario. Plans call for the opening of several new Saveway stores during the coming year. The Saveway Cash & Carry stores are designed to complement the full service Beaver stores in appropriate market areas and to provide a distribution service in lumber and plywood to urban Beaver Home Centres.

Planned Buildings Division

During the year, Beaver's Planned Buildings Division operated home and agricultural building prefabricating plants in Milton, Ontario ; Yorkton, Saskatchewan ; Edmonton, Alberta ; and Vancouver, British Columbia. The division has its own sales force which works closely with Beaver retail stores in the delivery and erection of these buildings. Last year, Beaver sold more homes than in any previous year, establishing itself as one of the largest suppliers of prefabricated homes in Canada.

Aikenhead Hardware Division

This division is principally engaged in non-retail activities. It supplies hardware to industrial accounts and contractors, operates a wholesale hardware business in South Western Ontario, and manufactures and distributes doors and door frames including "Steelcraft" and "Modernfold" doors in Ontario. Each section of the Division enjoyed increased sales and is expected to grow in volume in the year ahead.

1. Beaver offers a large selection of lumber, plywood and building materials.
2. One of Beaver's over 260 retail outlets in major rural and urban markets from Quebec to British Columbia.
3. Beaver is expanding its Saveway chain of cash and carry stores.
4. Complete lines of hand tools are available at Beaver.
5. Beaver offers its own brands of paint of the highest quality.
6. Power tools for every job in the "do-it-yourself" market.
7. Beaver provides a wide selection of floor coverings, specially selected for durability in the home or cottage.
8. Aikenhead's experience and reputation in hardware is reflected today in the product lines carried by Beaver stores.
9. Lighting fixtures and complete lines of packaged hardware are among the many "total service" departments Beaver has introduced in its store remerchandising program.

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Commercial Products and Services Group

2 International Boulevard
Toronto, Ontario.

J. P. G. Kemp, Senior Vice President
J. F. Barrett, Director, Planning
W. W. Carrick, Controller
D. H. Stanley, Director, Personnel
R. J. Stuart, Vice President, Industrial Relations

D. W. Gray, Vice President and General Manager
Anthes Business Forms Limited
Brampton, Ontario

L. J. Craddock, Vice President and General Manager
Office Specialty Limited
Toronto, Ontario

R. L. Garver, President
Willson Business Services Limited
Winnipeg, Manitoba

E. F. Flegg, Chairman
G. C. Berry, President
Moyer Vico Limited
Toronto, Ontario

G. L. Townsend, Vice President and General Manager
Vilas Industries Limited
Cowansville, Quebec

D. W. Eby, Vice President and General Manager
Deluxe Upholstering Limited
Waterloo, Ontario

R. Goldsmith, President
Seaway/Midwest Distribution Centres
Lachine, Quebec


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The Commercial Products and Services Group comprises office and educational furniture and supplies, home furniture and warehousing and distribution services businesses.

With the exception of the educational furniture and supplies sector, all activities of the Group showed substantial improvements over last year. Sales revenues for the year totalled $67.4 million, which includes the results of Willson Business Services Limited for the first time for a full year. This compares with the previous year's sales for the Group of $46.1 million.

Office and Educational Furniture and Supplies

Sales for Office Specialty Limited were 13.8 per cent ahead of the previous year, with profit margins depressed due largely to continuing over-capacity in the office furniture manufacturing industry in Canada.

The division's new line of desks, Danos 2, comes on stream early in the current year, and a strong 'on order' position should allow Office Specialty to gain a higher share of the Canadian office furniture market.

Anthes Business Forms Limited had an excellent year with sales and earnings substantially ahead of last year. Near the year-end, a new 100,000 square-foot file folder and business systems printing plant was brought into production in Brampton, Ontario, replacing an inefficient multi-

storey plant in the same area. The division is heading into the coming year with a strong backlog of booked business. Prices, however, will be affected and margins may suffer because of escalating paper supply costs.

In its first full year as a Molson company, Willson Business Services Limited met and passed its sales targets. Commercial sales out of Willson distribution centres across Canada strengthened and new retail stores were opened in Vancouver, Edmonton, Winnipeg and Toronto. Additional stores are planned in the year ahead for Toronto, Saskatoon and Edmonton.

At year-end, an agreement was reached to purchase the shares of Evans & Kert Ltd., a leading commercial and retail stationery house in Ottawa, a move which will enable Willson to enter the Ottawa market with a substantial base in both commercial and retail business.

The acquisition of Canadian Library Supply in early 1972 helped put sales of Moyer Vico Limited ahead of the previous year. Softness in the educational market, however, depressed Moyer earnings below normal levels.

In the period under review, the Ontario production of the Moyer Vico division was moved from Elmira, Ontario, to the larger, newer Office Specialty plant at Holland Landing, Ontario. The Elmira plant was taken over in turn by Deluxe Upholstering Limited.

1. Danos 2 – Office Specialty's newest line of furniture.

2. New 100,000 square-foot file folder and business systems printing plant of Anthes Business Forms in Brampton, Ontario.

3. Widely used, versatile library shelving, furniture and equipment from Moyer Vico.

4. One of the 25 retail outlets of Willson Business Services in Canada.

5. Rotary forms production in Anthes Business Forms' Mimico, Ontario, plant.

6. Seaway's largest distribution centre, located in Toronto, has more than 450,000 square feet of warehousing space.

7. Seaway/Midwest acts as a coast-to-coast distribution "arm" for hundreds of manufacturers.

8. Moyer Vico is Canada's largest manufacturer of educational furniture and supplies for schools and universities.

9. Craftsmanship is behind the outstanding quality of every La-Z-Boy recliner chair produced by Deluxe Upholstering.

10. Canada's most distinguished name in Colonial-style furniture – Vilas.

Home Furniture

The past year was another excellent one for Deluxe Upholstering Limited and its La-Z-Boy chairs, with sales and earnings reflecting La-Z-Boy's leadership in the recliner chair market in Canada.

The former Moyer plant at Elmira, Ontario, is now being used for frame assembly and for finished goods storage, a move which permits stepped up production of existing models and facilitates the introduction of new lines at the Waterloo, Ontario, main plant.

Vilas Industries Limited performed satisfactorily during the year in a strong home furniture market. Sales revenues were limited only by the capacity of the Cowansville, Quebec, plant.

Additional facilities were brought into production at Thurso, Quebec, in January, 1973, giving the division substantially increased production capacity to overcome its heavy backlog of orders and to take full advantage of the expanding market for household furniture.

At the same time, Vilas' new upholstery plant in Montreal was brought to satisfactory production levels.

Warehousing and Distribution Services

Seaway Storage, Inc. and Midwest Storage & Distributing Company Ltd. were merged into one division during the year, making the newly-structured organization the largest in the public warehousing and distribution field in Canada.

Sales revenues of the newly-combined organization were 46.3 per cent ahead of last year. Included in expansion plans for the coming year are completion of new facilities in Montreal and Moncton by early summer, and construction of new distribution centres in Toronto, Edmonton and Vancouver.

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1. Bennett Pump is expanding into the new and growing self-serve market.

2. Production line at John Wood Company Limited, Toronto, the largest manufacturer of water heaters in Canada.

3. Cast iron pipe emerging from the casting mold in one of the foundries of Anthes Western.

4. The Canadian construction industry is a major user of Anthes' grey iron and ductile iron water pipe.

5. Bennett Pump sells petroleum marketing equipment in some 100 countries.

6. Anthes Equipment scaffolding is used in many large-scale building projects across Canada.

7. Swing stages represent another important Anthes Equipment product line.

Industrial Products Group

2 International Boulevard,
Toronto, Ontario.

G. B. Waterman, Senior Vice President

W. Bogle, Director, Human Resources

K. R. Craig, Controller

D. I. Gallagher, Director, Planning

R. J. Stuart, Vice President, Industrial Relations

W. A. Farnell, Vice President and General Manager
John Wood Company Limited
Toronto, Ontario

P. M. Duynstee, Vice President and General Manager
Anthes Equipment Limited
Mississauga, Ontario

C. R. McBain, Vice President and General Manager
Anthes Western Limited
Anthes Eastern Limited
Winnipeg, Manitoba

P. W. Keessen, Chairman
P. M. Turner, President
Bennett Pump, Incorporated
Muskegon, Michigan

E. L. Prentice, Managing Director
Beck & Co. (Meters) Limited
Streatham Vale, England

E. Powell, Managing Director
Tuscan Engineering Company Limited
Bridgend, South Wales

Dr. U. Beretta, Managing Director
Bennett Italiana S.p.A.
Milan, Italy

The Industrial Products Group, with businesses in the construction products and services and petroleum marketing equipment fields, recorded sales for the year of $63.1 million. While this is lower than the total reported for last year, because of the divestment in October 1971 of Anthes Steel Products division, all divisions in the Group serving a buoyant Canadian construction industry experienced sales gains.

Considerable progress was made to rationalize the Group's businesses, including reorganization and management strengthening. At the same time, the non-foundry operations of Anthes Eastern reverted to their former name, John Wood Company Limited.

Construction Products and Services

John Wood Company Limited increased both its sales and earnings over the previous year, despite the disposal in September, 1972, of its heating products unit in St. Catharines, Ontario.

Major contributors to the division's satisfactory performance were increased sales of water heaters and tanks, and of Bennett gasoline pump products which are manufactured and sold for Bennett Pump by this division in Canada.

A number of new products were introduced during the year, including a new line of five-year warranty water heaters and new water heaters for commercial markets and for above-ground swimming pools.

Anthes Equipment Limited achieved a substantial gain in construction equipment rental revenues. Construction markets were at a high level of activity and the division capitalized on trends to greater use of safety products and labour-saving equipment.

During the year, new shoring and safety product programs were initiated and sales and rentals of new safety fence and refuse chute products introduced the previous year were greatly increased. In addition, a number of Anthes Equipment facilities were upgraded, with a new branch built in Winnipeg, the Calgary branch rebuilt, and land acquired to relocate the Montreal and Quebec City branches.

Anthes Western Limited experienced a good year, with foundry sales and earnings up significantly over the previous year.

At the fiscal year-end, the division's Winnipeg steel tank plant was sold and the foundry operations of Anthes Eastern Limited were transferred to Anthes Western. The latter division now operates the company's four foundries, three in Western Canada, and one in St. Jean, Quebec.

Petroleum Marketing Equipment

The petroleum industry continued to experience a number of problems in the past year, which adversely affected the earnings of the Bennett group of companies in North America and Europe.

Reduced profitability of marketing outlets and, in the United States, government legislation governing the control of vapour emissions, have caused the major oil companies to re-examine their retail operations and has led to the closure of retail outlets


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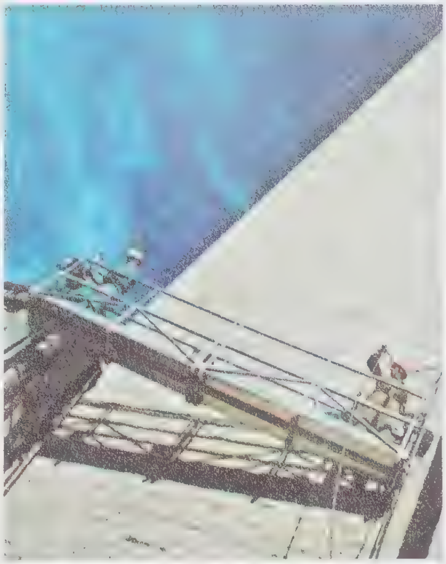
and a shift to self-serve. As a result, demand for conventional gasoline dispensing pumps has declined in the United States and abroad.

A number of new Bennett products were introduced during the past year or were engineered for introduction in the year ahead. A new gasoline leak detector system was well received by the U.S. market; and considerable development work was conducted on electronic self-serve systems, improving small pump product lines, and in product restyling and cost reduction.

Bennett continued its international expansion with the formation of an assembly and marketing organization in South Africa to commence operations in June, 1973. The management and research activities of Beck & Co. (Meters) Limited were strengthened, and satisfactory test installations of its new electronic remote reading self-serve pump were completed. Export sales of Bennett-Italiana helped to offset a sluggish national market. Industrias Guillermo Murguia, the Mexican service station equipment company partially owned by Bennett, had a good year, although pump sales there, as elsewhere, were not up to expectations.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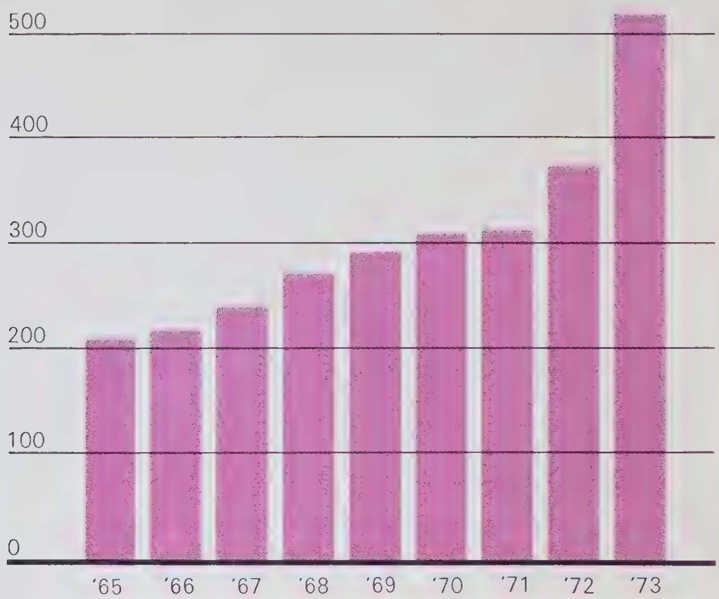
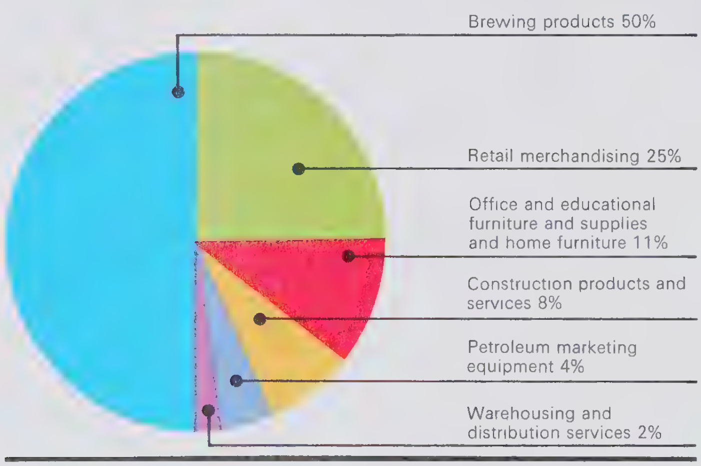
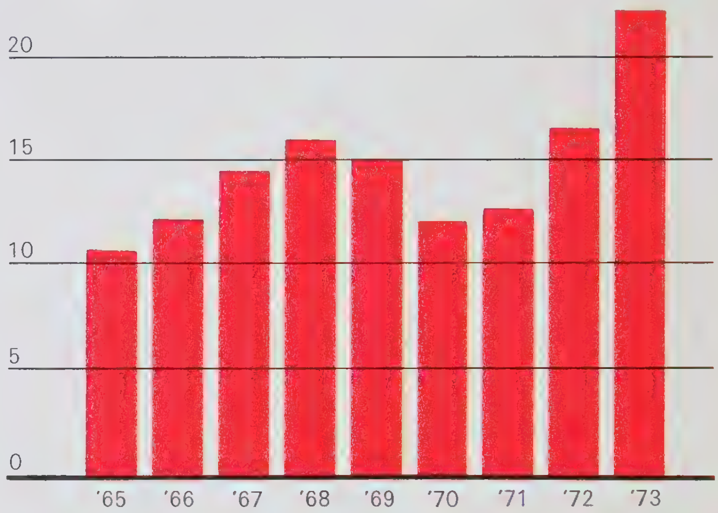
SALES IN MILLIONS OF DOLLARS



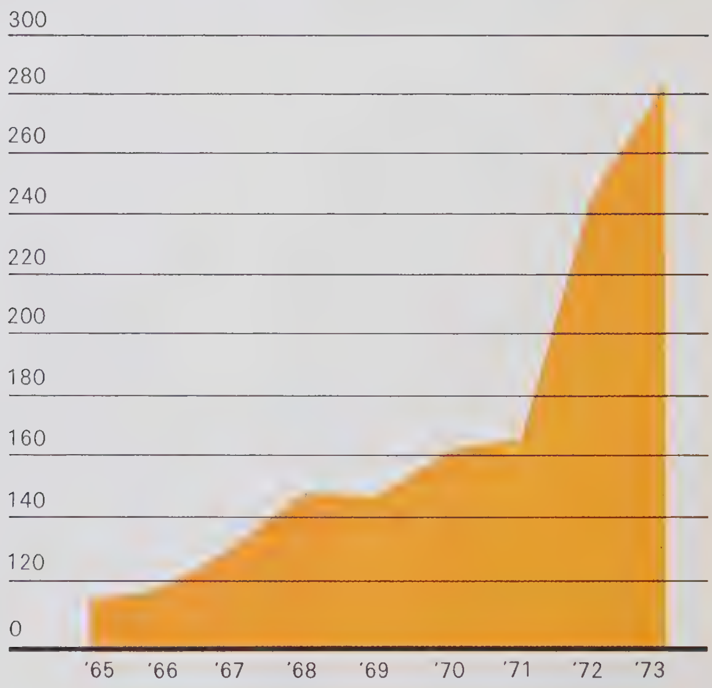
SALES BY PRODUCT GROUP – 1973



NET EARNINGS IN MILLIONS OF DOLLARS



TOTAL ASSETS IN MILLIONS OF DOLLARS



Consolidated Statement of Earnings

YEAR ENDED MARCH 31	1973	1972
Sales	$522,238,406	$376,039,937
Cost of sales, selling and administrative costs and brewing taxes	480,605,671	343,516,499
Profit from operations	41,632,735	32,523,438
Investment income	1,279,261	978,028
Earnings before income taxes, minority interest and extraordinary items	42,911,996	33,501,466
Income taxes	20,600,000	16,500,000
	22,311,996	17,001,466
Minority interest	294,000	315,616
Net earnings before extraordinary items	22,017,996	16,685,850
Extraordinary items (Note 2)	3,775	38,947
Net earnings	$ 22,021,771	$ 16,724,797
Net earnings per share, based on average number of shares outstanding	$1.62	$1.40

Consolidated Statement of Retained Earnings

YEAR ENDED MARCH 31	1973	1972
Balance, beginning of year	$ 80,455,945	$ 80,287,073
Net earnings	22,021,771	16,724,797
	102,477,716	97,011,870
Deduct:		
Dividends on common shares	10,878,008	8,937,475
Excess of purchase price of subsidiaries acquired over underlying fair value	—	7,618,450
	10,878,008	16,555,925
Balance, end of year	$ 91,599,708	$ 80,455,945

Consolidated Balance Sheet

MARCH 31	1973	1972
Assets		
Current Assets		
Cash and short-term investments	$ 6,655,376	$ 7,571,654
Marketable securities, at cost (market value – $448,000)	502,337	553,537
Accounts receivable	51,087,843	47,291,457
Inventories, valued at lower of cost and net realizable value	91,834,999	72,346,027
Prepaid expenses	2,238,365	1,872,892
	152,318,920	129,635,567
Investments		
Marketable shares, at cost (market value – $9,000,000)	6,552,791	6,502,008
Other shares, at cost	1,737,925	1,629,577
Mortgages and loans	4,188,839	3,280,728
	12,479,555	11,412,313
Fixed Assets (Note 3)		
Cost	231,472,510	214,995,006
Less accumulated depreciation	112,122,645	108,296,989
	119,349,865	106,698,017
Unamortized Debenture Discount and Expenses	990,163	1,056,729
	$285,138,503	$248,802,626

Signed on Behalf of the Board:
H. deM. Molson, Director
D. G. Willmot, Director

MARCH 31	1973	1972
Liabilities		
Current Liabilities		
Bank indebtedness	$ 18,279,133	$ 11,758,044
Accounts payable	36,371,155	31,501,782
Income taxes	13,943,423	5,011,349
Excise, sales and other taxes	7,991,248	6,062,204
Dividends payable	2,692,893	2,402,504
Current instalments on long-term debt	703,000	738,000
	79,980,852	57,473,883
Deferred Income Taxes	9,714,000	8,486,000
Long-term Debt (Note 4)	51,249,000	51,046,574
Minority Interest (including preferred shares of subsidiaries, $4,761,680)	5,289,768	5,985,391
Shareholders' Equity		
Capital Stock (Note 5)	47,305,175	45,354,833
Retained Earnings	91,599,708	80,455,945
	138,904,883	125,810,778
	$285,138,503	$248,802,626

Consolidated Statement of Source and Use of Working Capital

YEAR ENDED MARCH 31	1973	1972
Source		
Net earnings	$ 22,021,771	$ 16,724,797
Depreciation	9,928,978	8,439,697
Deferred income taxes	1,228,000	461,000
Amortization of debenture discount and expenses	66,566	—
Funds derived from operations	33,245,315	25,625,494
Net increase in long-term debt	202,426	33,249,835
Issue of common shares	1,950,342	27,000,025
	35,398,083	85,875,354
Use		
Dividends	10,878,008	8,937,475
Net additions to fixed assets (including in 1972, $25,399,376 net fixed assets of acquired subsidiaries)	22,580,826	36,865,308
Increase (decrease) in investments	1,067,242	(1,859,062)
Decrease in minority interest	695,623	78,691
Acquisition of interest in subsidiaries	—	7,618,450
Debenture discount and expenses	—	1,056,729
	35,221,699	52,697,591
Increase	176,384	33,177,763
Working capital, beginning of year	72,161,684	38,983,921
Working capital, end of year	$ 72,338,068	$ 72,161,684

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Molson Industries Limited and subsidiaries as at March 31, 1973 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1973 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants
Montreal, May 23, 1973.

Notes to Consolidated Financial Statements

MARCH 31, 1973

1. Basis of consolidation and exchange translation

The consolidated financial statements include the accounts of Molson Industries Limited and all subsidiary companies.

The accounts of the company and its subsidiaries have been consolidated following purchase accounting principles with the exception that the accounts of Anthes Imperial Limited, acquired in 1968, have been consolidated following pooling of interests accounting principles.

Earnings of foreign subsidiaries have been translated at average rates of exchange prevailing in the year. Property accounts (including depreciation and amortization) of foreign subsidiaries have been translated at rates of exchange prevailing at dates of acquisition, and all other assets and liabilities at rates of exchange prevailing at March 31, 1973. Exchange gains or losses resulting from such translation practice are reflected in the consolidated statement of earnings.

2. Extraordinary items	1973	1972
Net gain on disposal of businesses after applicable income tax credits of $568,000 in 1973 and $425,000 in 1972	$3,775	$38,947

3. Fixed assets and depreciation

Cost:	
Land	$ 22,010,285
Buildings	86,840,737
Machinery and equipment	118,907,843
Construction in progress	3,713,645
	231,472,510
Accumulated depreciation	112,122,645
	$119,349,865

Depreciation is provided at straight-line rates which are related to the estimated useful life of the assets. Depreciation provided in the year amounted to $9,928,978.

4. Long-term debt and interest	Total Amount	Current Maturities
First mortgage bonds, due 1973-1986; 5.84%-11½%	$ 1,368,600	$ 83,000
Debentures:		
Unsecured, due 1977-1991; 8¼%	40,000,000	
Unsecured, convertible; 5¼%	3,079,000	
Unsecured, due 1973-1982; 6%	3,409,000	189,000
Secured, due 1979-1988; 8¾%	1,000,000	
Notes payable:		
5¾%, due 1976-1985	2,000,000	
Sundry	1,095,400	431,000
	51,952,000	
Less current maturities	703,000	
	$51,249,000	$703,000

Required principal payments during the next five fiscal years are as follows: 1974-$703,000; 1975-$709,000; 1976-$466,000; 1977-$506,000; 1978-$1,706,000.

Interest on long-term debt, including amortization of debenture discount, amounted to $4,141,087 in the year.

5. Capital stock

Authorized:

In accordance with the issuance of supplementary letters patent dated July 24, 1972, the authorized capital of the company was altered to:

15,000,000 Class "A" convertible common shares without par value;

7,000,000 Class "B" convertible common shares without par value;

7,000,000 Class "C" convertible common shares without par value; and
15,000,000 Class "D" convertible common shares without par value.

The holders of the Class "A" and the Class "D" convertible common shares are entitled, voting separately and as a class, to elect annually three members of the board of directors of the company. The Class "B" and the Class "C" convertible common shares are each fully voting.

The holders of the Class "A" and the Class "D" convertible common shares are entitled to a non-cumulative preferential dividend of 20¢ per share per annum. No further dividend can be paid until the Class "B" and the Class "C" convertible common shares receive dividends aggregating 20¢ per share per annum and thereafter the convertible common shares rank equally share for share as to dividends.

Dividends in respect of the Class "C" and Class "D" convertible common shares may be paid in whole or in part by way of a cash dividend out of tax-paid undistributed surplus on hand or out of 1971 capital surplus on hand as defined in the Income Tax Act, S.C. 1970-71, Chapter 63.

At the option of the holder, each Class "A" and each Class "B" convertible common share, is convertible at any time respectively into one Class "D" convertible common share and one Class "C" convertible common share, and vice versa.

Issued and outstanding:	Shares	$
Class "A" convertible common shares	8,424,021	$38,154,584
Class "B" convertible common shares	4,072,620	7,150,510
Class "C" convertible common shares	1,008,199	1,396,946
Class "D" convertible common shares	131,977	603,135
	13,636,817	$47,305,175

During the year—

31,604 Class "A" and 17,040 Class "B" convertible common shares were issued for cash of $467,151 and $267,291 respectively under the terms of the employee stock option plans.

1,352 Class "A" convertible common shares were issued at the aggregate value of $16,900 as partial consideration for 1,530 common shares and 160 Class A shares of Beaver Lumber Company Limited acquired pursuant to the offer made on November 17, 1971.

56,353 Class "A" convertible common shares were issued on conversion of Beaver Lumber Company Limited 5¼% convertible debentures in the principal amount of $1,199,000.

106,092 Class "C" convertible common shares were converted to Class "A" convertible common shares (under rights which existed prior to July 24, 1972);

133,946 Class "A" convertible common shares were converted to Class "D" convertible common shares;

1,969 Class "D" convertible common shares were converted to Class "A" convertible common shares;

50,472 Class "B" convertible common shares were converted to Class "C" convertible common shares; and

126,208 Class "C" convertible common shares were converted to Class "B" convertible common shares

—all on a share for share basis.

Stock options:

At March 31, 1973 options to employees were outstanding to purchase 29,786 Class "A" convertible common shares at prices ranging from $10.75 to $22.31 per share and 14,905 Class "B" convertible common shares at prices ranging from $20.00 to $21.56 per share. All options expire prior to August 14, 1976.

Beaver 5¼% convertible debentures:

The holders of Beaver Lumber Company Limited 5¼% convertible debentures at their option exercisable through May 1, 1979 have the right to convert $1,000 principal amount of such debentures into 47 fully paid and non-assessable Molson Class "A" convertible common shares. As at March 31, 1973, 144,713 Class "A" convertible common shares have been reserved to meet this conversion privilege.

6. Pensions

Current service pension costs have been provided in accordance with actuarial determination. Past service costs are being funded over periods not exceeding 30 years. The unfunded liability for such past service costs amounted to approximately $5,100,000 at March 31, 1973.

7. Lease commitments

At March 31, 1973 the company had lease commitments expiring between 1973 and 2004 providing for approximate annual rentals of $3,650,000 in each of the next five years.

8. Remuneration of directors and officers

The aggregate remuneration of sixteen directors as directors amounted to $61,000 and the aggregate remuneration of seventeen officers as officers amounted to $988,600 in the year. Five officers are also directors.

9. Classes of business

In the opinion of the directors, the company carried on six classes of business during the year the amount of sales or revenues of which formed the following proportions of consolidated sales:

Brewing products	$260,505,428	50%
Retail merchandising	131,248,790	25%
Office and educational furniture and supplies and home furniture	55,301,238	11%
Construction products and services	41,985,771	8%
Petroleum marketing equipment	21,069,178	4%
Warehousing and distribution services	12,128,001	2%
	$522,238,406	100%

10. Pending legal proceedings

The company, among others, is a defendant in a lawsuit in a United States District Court, which stems from the company's offer made in June 1968 to acquire the common stock of Anthes Imperial Limited. Damages in the aggregate amount of approximately U.S. $2,500,000 are claimed. In the opinion of the company's United States legal counsel, upon the basis of the facts and law now known to them, this lawsuit is without merit.

11. Subsequent event

On April 16, 1973, the company sold $30,000,000 principal amount of 8¼% sinking fund debentures due April 16, 1995 for a total consideration of $30,000,000 before deducting the expenses of issue, estimated at $300,000.

Operating and Financial Record

	1973 $	1972 $	1971 $	1970 $
Sales	522,238,406	376,039,937	314,691,924	312,750,043
Profit from operations	41,632,735	32,523,438	27,988,415	27,118,982
Investment income	1,279,261	978,028	1,006,129	1,210,430
Income taxes	20,600,000	16,500,000	15,000,000	14,700,000
Net earnings	22,021,771	16,724,797	12,627,116	12,172,547
Cash flow	33,245,315	25,625,494	21,918,665	19,162,347
Dividends	10,878,008	8,937,475	8,182,994	8,195,290
Net earnings per share	1.62	1.40	1.11	1.07
Cash flow per share	2.44	2.15	1.93	1.69
Dividends per share	.80	.72	.72	.72
Shareholders' equity per share	10.18	9.29	8.67	8.41
Depreciation and amortization	9,928,978	8,439,697	7,139,120	6,804,319
Net additions to fixed assets	22,580,826	*36,865,308	10,542,691	11,796,233
Working capital	72,338,068	72,161,684	38,983,921	32,353,073
Total assets	285,138,503	248,802,626	169,471,168	164,195,991
Debt	51,249,000	51,046,574	17,796,739	10,653,576
Minority interest	5,289,768	5,985,391	6,064,082	6,308,593
Shareholders' equity	138,904,883	125,810,778	98,641,881	95,523,558
Number of shares outstanding	13,636,817	13,530,468	11,374,063	11,362,188
Number of shareholders	13,988	15,016	13,700	13,166
Number of employees	10,455	9,210	6,674	7,360

Dividends per share record the dividend rate of Molson Industries Limited. All other data for 1968 and prior years has been restated to reflect the consolidation of Anthes Imperial Limited on a pooling of interest basis.

The number of common shares outstanding has been restated to reflect the subdivision of shares in 1966 and the issue of shares in exchange for those of Anthes Imperial Limited in 1968.

*Includes $25,399,376 net fixed assets of acquired subsidiaries.

1969 $	1968 $	1967 $	1966 $	1965 $	1964 $
295,575,484	275,354,234	244,709,298	216,811,765	210,232,715	154,946,757
27,722,837	34,004,084	30,826,270	27,573,388	25,412,126	20,541,250
2,948,907	1,685,006	1,350,790	1,444,245	1,254,905	799,653
15,000,000	17,200,000	15,777,000	14,123,500	12,672,000	9,983,000
15,072,606	15,985,752	14,455,164	12,133,021	10,931,239	9,252,380
22,257,299	22,948,906	20,519,466	18,753,274	17,937,717	14,806,148
7,873,694	6,978,816	6,139,466	5,233,863	4,929,974	4,262,353
1.33	1.41	1.28	1.11	1.01	.91
1.96	2.03	1.82	1.71	1.65	1.46
.72	.72	.64	.55	.55	.50
8.46	8.02	7.30	6.59	5.90	5.49
6,682,351	6,007,168	5,578,996	6,056,470	6,483,191	5,234,505
10,524,540	10,747,881	7,584,537	5,590,704	5,002,480	4,073,950
45,636,434	44,097,591	39,946,521	34,101,759	24,992,856	22,138,483
150,690,599	151,024,404	132,954,357	119,615,922	115,220,095	91,996,063
11,128,492	11,356,590	10,186,899	10,671,299	20,582,574	15,720,000
10,393,182	10,648,797	8,664,985	8,606,491	8,395,137	3,930,170
96,025,423	90,889,652	82,182,695	72,110,719	64,153,137	55,567,871
11,346,368	11,328,912	11,263,283	10,935,173	10,867,785	10,115,672
13,252					
7,500					

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